

Tuesday, October 23, 2018

Session Eight

Title: **Adult Education Funding Models**

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Today's Session

- Discuss Funding Models for AEFLA
- Review research
- Discuss PBF formulas and models with other states
 - Equity
 - Efficiency
 - Accountability
 - Program Improvement

Klein, S. G. (2015).

Using Performance-Based Funding to Incentivize Change

(RTI Press publication OP-0020-1501). Research Triangle Park, NC: RTI Press.

Funding Models

- Multiple ways to distribute funds
- Population of citizens without a diploma based on census data
- Allocation by county
- Allocation by workforce areas



Performance Based Funding Systems

- Distribution of resources to local providers based on state-defined criteria (may include learner, administrative, or other programmatic measures).
 - Basic grant
 - Performance award
- Tool for improving program accountability and effectiveness at all education levels.

Benefits of PBF systems may include improvements in....

- Data Quality
- Program Delivery
- Political Support
- Teacher professionalism

Developing Performance Based Funding Systems

1. Establish state commitment
2. Form a Task Force
3. Specify state funding priorities
4. Define measures for allocating resources
5. Identify data sources
6. Model formula allocations
7. Design an implementation plan

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Step 1: Establish State Commitment

- A key first step is securing the political support of state governance and education leaders, who agree to publicly advocate for performance-based funding adoption.
 - superintendents of public instruction, higher education system presidents, program directors, or other respected, high-level administrators.
 - sends the message that formula adoption is impending, important, and nonnegotiable.



Step 2: Form a Task Force

- Recruiting credible task force members is critical to formula success.
 - experienced professionals,
 - knowledgeable of program administration and financing and
 - representative of the diverse providers and students across the state.
- Statewide acceptance of PBF requires building alliances, first among task force members and subsequently with the larger field.

Performance-based funding systems are not imposed on educators by outside forces; rather, they are something that educators choose for themselves ... because improving results is in the best long-term interest of students, institutions, and the state.



Step 3. Specify State Funding Priorities

- Comparison of current providers
 - Outcomes
 - Costs per student
- Identify priorities to drive formula development
 - educational skill gains or completing programs,
 - expanding the efficiency of program operations.

Good resource distribution formulas are:

- **Equitable**—Providers must be able to compete for resources on a level playing field and not be penalized for factors outside their control.
- **Simple**—Formulas must not be overly complicated: staff must understand how their actions affect funding.
- **Precise**—Allocation data must provide valid and timely measures of program and student performance.
- **Auditable**—Allocation data must be accurate.
- **Transparent**—Allocation procedures must be clear and reproducible.

Table 1. Example metrics for comparing program performance, from the National Reporting System

Program	State Funding Dispersed		Enrollment			Completions on the NRS Core Measures		
	Funding	Percent of total funding	Number enrolled	Percent of state total	\$ per enrollee	Number of completions	Percent of state total	\$ per outcome
Provider A	\$85,096	9.8%	978	13.3%	\$87	945	15.6%	\$90
Provider B	\$122,753	14.1%	1,339	18.2%	\$92	1,299	21.5%	\$94
Provider C	\$54,987	6.3%	439	6.0%	\$125	320	5.3%	\$172
Provider D	\$49,542	5.7%	385	5.2%	\$129	335	5.5%	\$148
Provider E	\$186,731	21.4%	1,527	20.8%	\$122	1,320	21.8%	\$141
Provider F	\$268,159	30.7%	1,882	25.6%	\$142	1,300	21.5%	\$206
Provider G	\$104,933	12.0%	802	10.9%	\$131	535	8.8%	\$196
State totals	\$872,201	100.0%	7,352	100.0%	\$119	6,054	100.0%	\$144

NOTE: Shading indicates amounts that are greater than the state average.



Step 4. Define Measures for Allocating Resources

- Amount earmarked for competitive funding
- Importance of outcomes
- How outcomes are measured
- How equity is addressed
- Other programmatic considerations

Table 2. Approaches and considerations for rewarding providers

Criteria	Example	Considerations
Number of outcomes	<ul style="list-style-type: none"> • Program completers • Retained students 	<ul style="list-style-type: none"> • May favor larger providers
Performance targets	<ul style="list-style-type: none"> • Exceeding negotiated performance rates 	<ul style="list-style-type: none"> • Small and large providers have equal opportunities to earn resources • Different rates may be set to account for program or learner characteristics
Process indicators	<ul style="list-style-type: none"> • Meeting program quality indicators • Performing well on desk audits • Making continuous improvement 	<ul style="list-style-type: none"> • Accounts for program structures • Must be based on proven criteria

Step 5. Identify Data Sources

- Not all outcomes can be readily measured.
- Determine – Does data already exist or might be collected?
- Procedures for ensuring the accuracy of data must be in place.
- All providers must be able to compete on the same playing field if the formula is to be seen as fair and unbiased.

Step 6. Model Formula Allocations

- **MODEL:**

- Completions – number of outcomes achieved by students within each provider
- Target Points – number of points achieved by providers meeting or exceeding their negotiated state performance rate on a measure

Table 3. Sample allocation model for performance-based funding

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
Region and provider	Prior year allocation	Base funding ^a	Performance-Based Funding Components		Total PBF (D+E)	Coming year total allocation (C+F)	Change in allocation from prior year (G - B)
			Completions on NRS core measures	State target points achieved			
Region 1							
Provider A	\$97,565	\$116,981	\$23,414	\$5,556	\$28,970	\$145,951	\$48,387
Provider B	\$140,739	\$160,176	\$32,185	\$6,790	\$38,975	\$199,152	\$58,412
Region 2							
Provider C	\$63,044	\$56,473	\$7,929	\$8,642	\$16,571	\$73,044	\$10,000
Provider D	\$56,801	\$49,483	\$8,300	\$8,025	\$16,325	\$65,808	\$9,007
Region 3							
Provider E	\$214,092	\$137,681	\$32,706	\$6,173	\$38,878	\$176,559	(\$37,532)
Region 4							
Provider F	\$307,451	\$201,978	\$32,210	\$5,556	\$37,766	\$239,743	(\$67,708)
Region 5							
Provider G	\$120,308	\$77,227	\$13,256	\$9,259	\$22,515	\$99,742	(\$20,566)
TOTAL	\$1,000,000	\$800,000	\$150,000	\$50,000	\$200,000	\$1,000,000	\$0

^a Base funding may include multiple allocation criteria, which for purposes of illustration are represented as a single allocation.

Step 7. Design an Implementation Plan

- Phase in formula adoption
 - instituting harm limits that bound the amount that a provider may gain or lose on an annual basis.
- Provide training and technical assistance to programs to ensure understanding of how the funding system works and the steps they can take to increase their funding.

Table 5. Sample timeline for phasing in funding formula(s)

Implementation year	Harm limit ^a	Maximum provider change from prior year
Year 1	5 percent	Gain: 105% Loss: 95%
Year 2	10 percent	Gain: 110% Loss: 90%
Year 3	20 percent	Gain: 120% Loss: 80%
Year 4	None	Formula allocation

^a Harm limits bound the amount that a provider may gain or lose annually.



Effects of Performance-based Funding

- State personnel interviewed for this study ascribed both positive and negative consequences to performance funding.
 - Very little, if any data exist to substantiate their claims.
 - Many cases, participant observations were based on general perceptions of program operations or extrapolations from a single experience.
 - As a consequence, it is difficult to draw conclusions about the effects of PBF on state adult education systems.



Participants' observations

- Performance funding helped states achieve their intended goals and also reaped unexpected benefits in terms of data quality and its use for program improvement purposes.
- Specific contributions included:
 - Improves Data Quality
 - Increases System Effectiveness
 - Engenders Political Support
 - Promotes Instructor Professionalism



Small Group Discussion

- How did you establish a funding formula for AEFLA under WIOA?
- Is your state addressing Performance Based Funding?
- How have PBF systems been designed at the state level?
- What were some of the obstacles in your state during the implementation of PBF?
 - How did you overcome these obstacles?
- What effect have PBF systems had on the attainment of state-identified performance goals and the delivery of services?
 - Unintended
 - Intended
- What are the most challenging performance measures to measure?